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FISCAL IMPACT STATEMENT

LS 7071
BILL NUMBER: SB 303

NOTE PREPARED: Jan 1, 2003
BILL AMENDED:

SUBJECT: Tax Credit for Employing Displaced Workers.

FIRST AUTHOR: Sen. Lanane
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill provides a credit against state tax liability for a taxpayer who hires an Indiana displaced worker. The bill provides that the credit is equal to 10% of the annual compensation due to the Indiana displaced worker. The bill provides that if the taxpayer does not retain the worker for at least three years, the taxpayer must pay the amount of the credit to the state.

Effective Date: January 1, 2004.

Explanation of State Expenditures: *Summary:* Under the bill, the Department of State Revenue would revise forms in order to incorporate the displaced worker credit. The cost of revising forms should be absorbable within the Department's existing budget.

Explanation of State Revenues: *Summary:* Under the bill, state revenues would be reduced by an indeterminable amount. With an effective date of January 1, 2004, state revenues would most likely be affected for half of FY 2004 and beyond. Under the bill, a taxpayer that hires an unemployed worker would receive a credit against state tax liability equal to 10% of the earnings and benefits of the worker. The worker must have been employed in Indiana for at least three years and unemployed due to layoff for economic reasons.

In order to claim the credit, the taxpayer that employs a worker that meets the qualifications must pay salary and benefits of at least 75% of the worker's previous salary and benefits. If credits awarded exceed a taxpayer's liability, the credit may be carried forward for five successive tax years.

If a taxpayer that claims a credit under the bill does not employ a qualified worker for at least three years, the credit is forfeited and must be returned to the Department. The penalty would not be enforced on a taxpayer that released a qualified worker for cause within three years of hire.

Credits may be taken against Adjusted Gross Income Tax, Insurance Premiums Tax, or Financial Institutions Tax liability. These taxes are deposited in the General Fund.

Background: Based on the Bureau of Labor Statistics, Indiana non-farm establishment employment declined by 2% or a reduction of 61,800 employees over 2000-2001. In 2000, approximately 59.8% of national employed wage or salary workers had tenure with their current employer for at least three years. That percentage applied to the state reduction in establishment employment would give an estimate of (61,800 * 59.8% = 36,900) workers who could be eligible under the bill.

The CY 2001 Indiana nonfarm wage and salary disbursement per worker was $31,085. The CY 2000 average annual pay for Indiana compiled by the U.S. Bureau of Labor Statistics was $31,015. As an example, assuming an employer would hire an eligible employee at 75% of a worker's previous salary, the average credit per worker would be ($31,085 * 75% * 10% = $2,330.)

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: U.S. Bureau of Labor Statistics; U.S. Census Bureau, *Statistical Abstract of the United States: 2001;* U.S. Bureau of Economic Analysis.

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